

Financial Statements and  
Supplementary Information Together  
with Report of Independent Certified  
Public Accountants

**St. Francis-St. Joseph Homes for Children**

June 30, 2024 and 2023

## Contents

## Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of cash flows	8
Notes to financial statements	9
Supplementary Information	
Schedule of revenues	22
Schedule of operating expenses	23

---

**GRANT THORNTON LLP**

Two Commerce Square  
2001 Market St., Suite 800  
Philadelphia, PA 19103

**D** +1 215 561 4200

**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
St. Francis-St. Joseph Homes for Children

**Opinion**

We have audited the financial statements of St. Francis-St. Joseph Homes for Children ("St. Francis"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Francis as of June 30, 2024 and 2023, and the results of its activities and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Francis and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Francis ability to continue as a going concern for one year after the date the financial statements are available to be issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Francis' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Francis' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and operating expenses for the year ended June 30, 2024 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Philadelphia, Pennsylvania  
March 28, 2025

**St. Francis-St. Joseph Homes for Children**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 11,919	\$ 14,915
Accounts receivable - DHS and CBH, net of estimate for credit losses of \$25,000 at June 30, 2024 and 2023	1,040,486	1,097,203
Accounts receivable - other governmental agencies, net of estimate for credit losses of \$10,000 at June 30, 2024 and 2023	1,436,093	1,157,676
Prepaid expenses and other current assets	<u>77,910</u>	<u>77,286</u>
Total current assets	2,566,408	2,347,080
Property, plant and equipment, net	526,972	585,375
Right-of-use assets	4,558	-
Investments	3,718,760	3,301,205
Trusts held by third parties	<u>1,106,306</u>	<u>1,011,399</u>
Total assets	<u><u>\$ 7,923,004</u></u>	<u><u>\$ 7,245,059</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 122,235	\$ 101,814
Salaries and wages payable	284,011	266,709
Current maturities of lease liabilities	1,651	-
Due to Catholic Social Services	<u>2,030,994</u>	<u>2,174,572</u>
Total current liabilities	2,438,891	2,543,095
Lease liabilities, net of current maturities	<u>2,907</u>	<u>-</u>
Total liabilities	<u>2,441,798</u>	<u>2,543,095</u>
<b>Net assets</b>		
Net assets without donor restrictions	4,374,900	3,690,565
Net assets with donor restrictions	<u>1,106,306</u>	<u>1,011,399</u>
Total net assets	<u>5,481,206</u>	<u>4,701,964</u>
Total liabilities and net assets	<u><u>\$ 7,923,004</u></u>	<u><u>\$ 7,245,059</u></u>

The accompanying notes are an integral part of these financial statements.

**St. Francis-St. Joseph Homes for Children**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended June 30, 2024**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue</b>			
Governmental revenue	\$ 7,586,464	\$ -	\$ 7,586,464
Total operating revenue	7,586,464	-	7,586,464
<b>Operating expenses</b>			
Salaries, wages and other payroll costs	5,644,699	-	5,644,699
Administrative and general	1,244,089	-	1,244,089
Occupancy	626,978	-	626,978
Direct expenses of children	635,294	-	635,294
Depreciation	81,317	-	81,317
Total operating expenses	8,232,377	-	8,232,377
Changes in net assets from operations	(645,913)	-	(645,913)
<b>Other revenues</b>			
Donations, bequests, and trusts	887,693	-	887,693
Catholic Charities Appeal	25,000	-	25,000
Investment return	417,555	94,907	512,462
Total other revenues	1,330,248	94,907	1,425,155
<b>CHANGES IN NET ASSETS</b>	684,335	94,907	779,242
<b>Net assets, beginning of year</b>	3,690,565	1,011,399	4,701,964
<b>Net assets, end of year</b>	\$ 4,374,900	\$ 1,106,306	\$ 5,481,206

The accompanying notes are an integral part of this financial statement.

**St. Francis-St. Joseph Homes for Children**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended June 30, 2023**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue</b>			
Governmental revenue	\$ 7,331,806	\$ -	\$ 7,331,806
Total operating revenue	<u>7,331,806</u>	<u>-</u>	<u>7,331,806</u>
<b>Operating expenses</b>			
Salaries, wages and other payroll costs	5,375,436	-	5,375,436
Administrative and general	1,157,078	-	1,157,078
Occupancy	587,567	-	587,567
Direct expenses of children	645,741	-	645,741
Depreciation	335,391	-	335,391
Total operating expenses	<u>8,101,213</u>	<u>-</u>	<u>8,101,213</u>
Changes in net assets from operations	<u>(769,407)</u>	<u>-</u>	<u>(769,407)</u>
<b>Other revenues</b>			
Donations, bequests, and trusts	404,193	-	404,193
Catholic Charities Appeal	25,000	-	25,000
Investment return	335,607	68,908	404,515
Total other revenues	<u>764,800</u>	<u>68,908</u>	<u>833,708</u>
<b>CHANGES IN NET ASSETS</b>	<u>(4,607)</u>	<u>68,908</u>	<u>64,301</u>
<b>Net assets, beginning of year</b>	<u>3,695,172</u>	<u>942,491</u>	<u>4,637,663</u>
<b>Net assets, end of year</b>	<u>\$ 3,690,565</u>	<u>\$ 1,011,399</u>	<u>\$ 4,701,964</u>

The accompanying notes are an integral part of this financial statement.

**St. Francis-St. Joseph Homes for Children**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 779,242	\$ 64,301
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	81,317	335,391
Net realized and unrealized gains on investments	(446,408)	(304,219)
Changes in operating assets and liabilities:		
Accounts receivable - DHS and CBH	56,717	375,075
Accounts receivable - other governmental agencies	(278,417)	293,211
Prepaid expenses and other current assets	(624)	34,097
Accounts payable and accrued expenses	20,421	(84,207)
Salaries and wages payable	17,302	18,300
Due to Catholic Social Services	<u>(143,578)</u>	<u>(1,052,846)</u>
Net cash provided by (used in) operating activities	<u>85,972</u>	<u>(320,897)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant, and equipment	(22,914)	(28,382)
Proceeds received from related-party loans receivable - Archdiocese of Philadelphia	-	446,923
Sales of investments	97,780	69,228
Purchases of investments	<u>(163,834)</u>	<u>(167,124)</u>
Net cash (used in) provided by investing activities	<u>(88,968)</u>	<u>320,645</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,996)</b>	<b>(252)</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>14,915</u>	<u>15,167</u>
End of year	<u><u>\$ 11,919</u></u>	<u><u>\$ 14,915</u></u>

The accompanying notes are an integral part of these financial statements.



**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

**NOTE A - ORGANIZATION**

St. Francis-St. Joseph Homes for Children (“St. Francis”) provides community-based residential treatment and group homes services to dependent, neglected, delinquent and emotionally troubled children between the ages of 10 and 21 years of age.

Catholic Charities of the Archdiocese of Philadelphia, operating as Catholic Social Services of the Archdiocese of Philadelphia (“CSS”) established in 1919, is a multi-faceted social services organization whose departments offer a wide range of services to meet the needs of children, adults and families including adoption and foster care programs. CSS functions as a self-contained entity and maintains separate financial statements for each of its operations. St. Francis is one of the entities operating under CSS.

The accompanying financial statements include programs operated and administered by St. Francis.

The Archdiocese of Philadelphia (the “Archdiocese”) was proclaimed a Catholic diocese in 1808 and raised to an Archdiocese in 1875. The Archdiocese oversees the activities of the Roman Catholic Church (the “Church”) for the five counties of Philadelphia, Bucks, Chester, Delaware and Montgomery in the southeastern part of the Commonwealth of Pennsylvania and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. St. Francis, which is related, is operated separately and distinctly from the Archdiocese.

Catholic Charities Appeal, a separate legal corporation and a related organization, raises money for certain organizations within the Archdiocese, including St. Francis.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). St. Francis presents its financial statements in accordance with the guidance set forth by the Financial Accounting Standards Board (“FASB”) in regard to Financial Statements of Not-for-Profit Organizations. Accordingly, St. Francis’ net assets and its revenues, expenses, gains and losses are classified into two categories, based on the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors. As of June 30, 2024 and 2023, St. Francis has no board-designated net assets.
- Net assets with donor restrictions include contributions, including pledges, trusts, remainder interests, income and appreciation, which can be expended, but for which restrictions have not yet been met, or which are required by donors to be perpetually retained. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

assumptions include the estimate for credit losses, useful lives of depreciable assets and the fair value of investments. Actual results could differ from those estimates.

***Other Revenue***

The statements of activities and changes in net assets present the change in net assets from operating and non-operating activities. Operating activities consist of those items attributable to St. Francis' programs. Nonoperating activities include gifts and pledges, bequests, and return on investments less amounts distributed.

***Cash and Cash Equivalents***

St. Francis considers investments in highly liquid securities with a maturity of three months or less from the date purchased to be cash equivalents.

***Accounting for Long-Lived Assets***

Long-lived assets are reviewed for impairment annually to determine if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. As of June 30, 2024 and 2023, management does not believe any such long-lived assets are impaired.

***Investments***

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds"), which provide Catholic institutions with high-quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese appointed SEI Private Trust Company to act as custodian (the "Custodian") of its investments, which consist of certain cash and securities and are more fully described in Note C.

Investments are reported at fair value. Realized gains and losses are included in the statements of activities and changes in net assets as a component of investment return.

***Governmental Revenue***

St. Francis recognizes revenue in accordance with Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. St. Francis evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred, or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, St. Francis applies the guidance under Topic 606, described below. If the transfer of assets is determined to be a contribution, St. Francis evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before St. Francis is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

the contribution is received, St. Francis reports the support as without donor restriction. When a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

For exchange transactions, St. Francis follows Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. This guidance requires the use of a five-step model to achieve the core underlying principle that an entity should recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. These steps include (1) identifying the contract with the customer, (2) identifying the performance obligations, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue as the entity satisfies the performance obligation(s).

Generally, revenue recognition occurs with the transfer of control of the services and when the following criteria have been met: (i) the contract has been approved by both parties, and both parties are committed; (ii) each party’s rights regarding goods and services can be identified; (iii) payment terms can be identified; (iv) contract has commercial substance; and (v) collectability of consideration is probable.

St. Francis receives its funding through contracts with the Commonwealth of Pennsylvania, various cities and counties, federal programs, and agreements with managed care and insurance organizations. These contracts/agreements generally fall into two categories: cost reimbursement and fee-for-service. The ultimate determination of amounts reimbursable under cost reimbursement contracts/agreements is based upon allowable costs to be reported and subject to audit by grantors and/or their agents.

Governmental revenues are from funding sources under cost reimbursement-type contracts for several of St. Francis’s programs. St. Francis records revenues under such contracts as costs are incurred. For other programs, St. Francis receives program service fees from funding sources under per diem-type contracts for certain programs and unit prices for outpatient services. Revenue for these programs is recorded when the services are provided. Retroactive adjustments are recorded in the period that final settlements are determined. There were no retroactive adjustments for the years ended June 30, 2024 and 2023.

***Donations, Bequests, and Trusts***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, St. Francis reports the support as without donor restrictions. When a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions.

Contributions of long-lived assets received without donor stipulations are reported as revenue without donor restrictions at the fair value of the date of the gift. Contributions of other assets specified for the acquisition or construction of long-lived assets are reported as support with donor restrictions; those restrictions expire when the assets are placed in service.

Unconditional promises to give (“pledges”) are recorded as receivables and revenues within the appropriate net asset category and as of June 30, 2024 and 2023, are expected to be collected within one year.

Donations, bequests, and trusts for the years ended June 30, 2024 and 2023 were \$887,693 and \$404,193, respectively.

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Estimate for Credit Losses***

St. Francis continually monitors accounts receivable for collectability issues. The estimate for credit losses is based upon management's judgment and is determined by considering a number of factors, including the length of time accounts receivable are past due, St. Francis's previous loss history, the nature of the service provided and other pertinent factors. St. Francis writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the estimate for credit losses.

***Allocated Expenses - Archdiocese of Philadelphia - Catholic Social Services***

CSS provides administrative and accounting services for institutions and group homes, including St. Francis. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statements of activities and changes in net assets. Any difference between the allocation and the amount charged to the institutions and group homes during the year is considered a contribution of services from CSS.

***Property, Plant and Equipment***

Buildings, building improvements and equipment are capitalized at cost or at their fair value if donated. Depreciation for fixed assets is computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Building	20 years
Building improvements	20 years
Equipment	3 - 5 years

***Leases***

St. Francis determines if an arrangement is a lease at inception of the contract. Right-of-use ("ROU") assets represent St. Francis' right to use the underlying assets for the lease term and lease liabilities represent St. Francis' obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The discount rate is based on a risk-free rate using a period comparable with the lease term. St. Francis does not record leases with an initial term of 12 months or less ("short-term leases") in its statements of financial position. Leases may include one or more options to renew. If management believes it is reasonably likely that a lease option will be exercised, they are included as part of the right-of-use assets and lease liabilities.

***Liquidity and Availability of Resources***

Financial assets available for general expenditure, all of which are classified as net assets without donor restrictions, within one year of the statement of financial position date consist of the following:

	June 30,	
	2024	2023
Cash and cash equivalents	\$ 11,919	\$ 14,915
Accounts receivable	2,476,579	2,254,879
Investments	3,718,760	3,301,205
Assets available to management	<u>\$ 6,207,258</u>	<u>\$ 5,570,999</u>

St. Francis-St. Joseph Homes for Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

In addition to the financial assets listed above, St. Francis operates within a prudent range of fiscal responsibility and anticipates collecting sufficient revenue to cover its operating expenses.

St. Francis receives cash management services from CSS, which includes the receipt of program revenues and payments of operating expenses. The cash activity is recorded through due to CSS, which is settled periodically.

**Adoption of Recent Accounting Pronouncement**

ASU 2016-03, *Financial Instruments - Credit Losses*, was effective for St. Francis on July 1, 2023. This ASU addresses measurement of credit losses on financial instruments and replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to inform credit loss estimates. The adoption of this guidance did not have a material impact on the financial statements.

**Self-Insurance**

Catholic Social Services and its affiliated corporations participate in the Archdiocese of Philadelphia Risk Insurance Trust Plan for purposes of acquiring insurance for programs. The self-insurance coverages under this plan include first-party property and third-party liability. There also is a level of self-insurance for employee medical coverage which operates in tandem with a health plan administrator. There were approximately 88 employees covered under Catholic Social Service and its corporation's insurance coverages during the year ended June 30, 2024.

**NOTE C - INVESTMENTS**

Investments are reported at fair value and consist of the following:

*Catholic Values Equity Fund (or "fund")* - Invests in common stocks and is managed by SEI and is valued at the closing price of the traded fund.

*Catholic Values Fixed Income Fund (or "fund")* - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI and is valued at the closing price of the traded fund.

SEI offers account holders six asset classifications in which to invest. The options include a short-duration U.S. government bond fund, a 100% fixed income bond fund and four equity funds with varying fixed income to equity mixes of 30/70, 50/50, 60/40 or 70/30. The Investment Committee of the Archdiocese of Philadelphia has primary responsibility for determining fixed income to equity mix. The asset mix of the mutual funds is SEI's responsibility. Management of the Archdiocese is responsible for ensuring that asset investment allocations among the funds are maintained as determined by the Investment Committee of the Archdiocese of Philadelphia.

At June 30, St. Francis' investments are summarized and classified as follows:

	2024	2023
Catholic Values Equity Fund	\$ 2,620,202	\$ 2,319,823
Catholic Values Fixed Income Fund	1,098,558	981,382
	<u>\$ 3,718,760</u>	<u>\$ 3,301,205</u>

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Investment return, net comprised of the following for the years ended June 30, 2024 and 2023:

	2024		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 66,054	\$ -	\$ 66,054
Net realized losses	(775)	-	(775)
Net unrealized gains on investments and change in value of trusts held by third parties	352,276	94,907	447,183
<b>Total</b>	<b>\$ 417,555</b>	<b>\$ 94,907</b>	<b>\$ 512,462</b>

  

	2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 100,297	\$ -	\$ 100,297
Net realized losses	(9,515)	-	(9,515)
Net unrealized gains on investments and change in value of trusts held by third parties	244,825	68,908	313,733
<b>Total</b>	<b>\$ 335,607</b>	<b>\$ 68,908</b>	<b>\$ 404,515</b>

**NOTE D - TRUSTS HELD BY THIRD PARTIES**

St. Francis is the beneficiary of individual trusts held by third parties. At June 30, 2024 and 2023, the allocable fair value of these trusts was \$1,106,306 and \$1,011,399, respectively, and is recorded as trusts held by third parties in the accompanying statements of financial position. During the years ended June 30, 2024 and 2023, St. Francis recognized unrealized gains on these trusts of \$94,907 and \$68,908, respectively, as a change in net assets with donor restrictions.

**NOTE E - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and accumulated depreciation consist of the following at June 30:

	2024	2023
Buildings and improvements	\$ 7,393,942	\$ 7,393,942
Equipment	2,168,975	2,146,061
	9,562,917	9,540,003
Accumulated depreciation	(9,035,945)	(8,954,628)
<b>Property, plant and equipment, net</b>	<b>\$ 526,972</b>	<b>\$ 585,375</b>

Depreciation expense of \$81,317 and \$335,391 was incurred for the years ended June 30, 2024 and 2023, respectively.

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE F - LEASES**

St. Francis leases residential facilities along with certain other equipment under various long-term lease agreements, classified as operating leases. These operating leases have various expiration dates through 2027 and contain renewal options for periods of varying length and require St. Francis to pay all executor costs (such as property taxes, utilities, maintenance, and insurance).

Quantitative information regarding St. Francis' leases for the years ended June 30, is as follows:

	<u>2024</u>
Lease cost	\$ 601
Other information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	\$ 601
ROU assets obtained in exchange for new lease liabilities	\$ 5,094
Weighted-average remaining lease term (in years)	2.67
Weighted-average discount rate	4.14%

The following is a schedule of future minimum lease payments required under operating leases with lease terms in excess of one year:

2025	\$ 1,802
2026	1,802
2027	1,202
2028	-
2029	-
Thereafter	-
	<hr/>
Total minimum payments	4,806
	<hr/>
Less: present value discount	(248)
	<hr/>
	\$ 4,558
	<hr/>

**NOTE G - ACCOUNTS RECEIVABLE - DHS, CBH AND OTHER GOVERNMENTAL AGENCIES**

At June 30, 2024 and 2023, St. Francis had uncollateralized net accounts receivable from Philadelphia Department of Human Services ("DHS") and Community Behavioral Health ("CBH") of \$1,040,486 and \$1,097,203, respectively. The net receivable due from other governmental agencies was \$1,436,093 and \$1,157,676 as of June 30, 2024 and 2023, respectively. The balances owed by DHS and CBH represent 42.0% and 48.7% of total outstanding receivables as of June 30, 2024 and 2023, respectively, which potentially subjects St. Francis to a concentration of credit risk. St. Francis monitors its funding arrangements with DHS, CBH, and other governmental agencies and believes all amounts are collectible.

**NOTE H - FAIR VALUE MEASUREMENTS**

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the measurement date.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although St. Francis believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the fair values of the investments held by St. Francis by level within the fair value hierarchy, as of June 30:

2024				
	Quoted prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets</b>				
Investments	\$ 3,718,760	\$ -	\$ -	\$ 3,718,760
Trusts held by third parties	-	-	1,106,306	1,106,306
<b>Total assets</b>	<b>\$ 3,718,760</b>	<b>\$ -</b>	<b>\$ 1,106,306</b>	<b>\$ 4,825,066</b>
2023				
	Quoted prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets</b>				
Investments	\$ 3,301,205	\$ -	\$ -	\$ 3,301,205
Trusts held by third parties	-	-	1,011,399	1,011,399
<b>Total assets</b>	<b>\$ 3,301,205</b>	<b>\$ -</b>	<b>\$ 1,011,399</b>	<b>\$ 4,312,604</b>



**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The following table presents the yearly activity of Level 3 assets, as of June 30:

	2024	2023
Beginning balance	\$ 1,011,399	\$ 942,491
Net unrealized gains	94,907	68,908
	<u>\$ 1,106,306</u>	<u>\$ 1,011,399</u>

During 2024 and 2023, there were no transfers of investments into or out of Level 3.

**NOTE I - PENSION PLANS**

***Lay Employees' Retirement Plan - Frozen Effective June 30, 2014***

Through June 30, 2014, the eligible lay employees of St. Francis were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese, based on age and service requirements. The Plan is administered by the Trustees of the Plan. St. Francis made annual contributions to the Plan at a rate of 3.5% of the salaries of eligible employees for the years ended June 30, 2024 and 2023. The amount expensed by St. Francis for contributions to the Plan was \$133,805 and \$116,895 for the fiscal years ended June 30, 2024 and 2023, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

On November 5, 2013, the Archdiocese of Philadelphia Office for Financial Services ("OFS") announced that it would freeze the Plan effective June 30, 2014. All current employees at the time of the announced freeze retained benefits they had earned and continued to accrue benefits through the effective date. After the effective date, accrued pension benefits under the Plan do not increase for current employees for additional service or increases in pay after the freeze date.

***Archdiocese of Philadelphia 403(b) Retirement Plan***

The Archdiocese of Philadelphia established a 403(b) defined contribution plan, under which, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

*Grandfathered Employees* – Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.

*Non-Grandfathered Employees* – Non-grandfathered employees are eligible to receive the employer contribution beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer contribution in the time frame described above, the period for determining whether or not one meets the 1,000-hour service requirement will shift to the calendar year beginning January 1, 2016.

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

*Vesting* – Vesting in employer contributions to a 403(b)-plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

In fiscal years 2024 and 2023, the Archdiocese employer contribution rate was 4.5% of base salary for eligible employees. The contributions by St. Francis into the 403(b)-plan totaled \$172,035 and \$161,984 for the years ended June 30, 2024 and 2023, respectively.

**Other Contributions**

St. Francis also makes contributions to the various orders of the religious personnel who provide services at its institutions. The amount of expense related to these contributions was \$5,558 and \$4,980 for the years ended June 30, 2024 and 2023, respectively.

**NOTE J - RELATED-PARTY TRANSACTIONS**

St. Francis is covered under various insurance and retirement plans administered by the Archdiocese.

St. Francis annually enters into various short-term operating lease agreements primarily for the rental of facilities, some of which are with other entities also operating under the auspices of the Archdiocese. Rental expense associated with these operating lease agreements was \$112,272 and \$107,610 for the years ended June 30, 2024 and 2023, respectively.

CSS provides administrative and accounting services for related institutions and group homes, including St. Francis. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statement of activities. Any difference between the allocation and the amount charged to the institution during the year is considered a contribution of services from CSS. Repayment of amounts due to CSS is expected when cash is available. The amount due to CSS was \$2,030,994 and \$2,174,572 for the years ended June 30, 2024 and 2023, respectively.

The transactions with the Archdiocese and CSS charged to expense for the fiscal years ended June 30 were as follows:

	2024	2023
Archdiocese		
Insurance - auto and general	\$ 130,519	\$ 106,643
Lay employee pension contributions	319,220	278,879
Religious employee pension contributions	5,558	4,980
	<u>\$ 455,297</u>	<u>\$ 390,502</u>
CSS		
Allocated administrative and accounting costs	\$ 221,564	\$ 217,200
Information technology services	108,070	101,711
	<u>\$ 329,634</u>	<u>\$ 318,911</u>

Catholic Charities Appeal donated \$25,000 to St. Francis during each of the fiscal years ended June 30, 2024 and 2023.

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Certain related-party amounts, included in accounts payable and accrued expenses as of June 30, are as follows:

	2024	2023
Due to Catholic Housing and Community Services	\$ 72,026	\$ 48,267

**NOTE K - INCOME TAX STATUS**

St. Francis follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

St. Francis is exempt from federal income tax under Internal Revenue Code (the "Code") section 501(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. St. Francis has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. St. Francis has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**NOTE L - FUNCTIONAL EXPENSES**

St. Francis provides a variety of services. The financial statements report certain categories of natural expenses that are attributable to more than one program or supporting function. These expenses are allocated using a variety of cost allocation techniques based on reasonable methodologies that are consistently applied including but not limited to direct operating expenses, payroll expenses, number of employees, square footage, or days of care. Expenses related to providing these services for the years ended June 30, are as follows:

	2024		
	Program	Management and General	Total Expenses
Salaries, wages and other payroll costs	\$ 5,190,743	\$ 453,956	\$ 5,644,699
Administrative, general expenses and depreciation	944,093	381,313	1,325,406
Occupancy	575,874	51,104	626,978
Direct expenses of care	635,294	-	635,294
Total expenses	\$ 7,346,004	\$ 886,373	\$ 8,232,377

**St. Francis-St. Joseph Homes for Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

		2023	
	Program	Management and General	Total Expenses
Salaries, wages and other payroll costs	\$ 4,943,173	\$ 432,263	\$ 5,375,436
Administrative, general expenses and depreciation	1,132,383	360,086	1,492,469
Occupancy	539,675	47,892	587,567
Direct expenses of care	645,741	-	645,741
	<u>\$ 7,260,972</u>	<u>\$ 840,241</u>	<u>\$ 8,101,213</u>
Total expenses			

**NOTE M - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions that will become available once the donor restriction is met at June 30 consisted of the following:

	2024	2023
Education of children	\$ 571,225	\$ 507,086
Other	14,982	13,300
	<u>\$ 586,207</u>	<u>\$ 520,386</u>

Net assets with donor restrictions that are to be held in perpetuity at June 30, consisted of the following:

	2024	2023
Trusts held by third parties	\$ 520,099	\$ 491,013

**NOTE N - CONTINGENCIES**

St. Francis is from time to time subject to routine litigation incidental to its business. In the opinion of management, there are no matters which will have a material effect on St. Francis' financial position, results of operations, or cash flows.

**NOTE O - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 28, 2025, the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

**St. Francis-St. Joseph Homes for Children**

**SCHEDULE OF REVENUE**

**Year ended June 30, 2024**

**Operating revenues**

Governmental revenue	
Human services funding	\$ 6,851,392
Title I	25,623
Private Residential Rehabilitative Institution	549,306
Nutritional program	49,889
Medical assistance	110,254
	<hr/>
Total operating revenues	7,586,464
	<hr/>

**Other revenues**

Donations, bequests, and trusts	426,193
Donations - related party	461,500
Catholic Charities Appeal	25,000
Investment return, net	512,462
	<hr/>
Total other revenues	1,425,155
	<hr/>
Total revenue	\$ 9,011,619
	<hr/>

*See report of independent certified public accountants.*

St. Francis-St. Joseph Homes for Children

SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2024

**Salaries, wages and other payroll costs**

Administrative	\$ 1,050,676
Professional	791,245
Clerical	135,020
Child care	2,224,021
Maintenance and support	77,933
FICA tax (employer share)	312,193
Workers' compensation insurance	67,505
Unemployment tax	70,921
Employees' health and retirement benefits	915,185
	<hr/>
Total salaries, wages and other payroll costs	5,644,699

**Administrative and general expenses**

Administrative and accounting services allocated from the Archdiocese of Philadelphia - Catholic Social Services - Director's Office	329,634
Professional fees	568,735
Telephone	36,802
Transportation	115,363
Staff development	12,331
Equipment - replacement	9,166
General expenses and supplies	151,197
Postage	8,385
Charity donations	12,476
Depreciation	81,317
	<hr/>
Total administrative and general expenses and depreciation	1,325,406

**Cost of occupancy**

Rental of buildings	112,272
Insurance - buildings, contents, etc.	78,604
Real estate taxes	5,792
Repairs and maintenance - buildings and ground	263,738
Utilities	166,572
	<hr/>
Total cost of occupancy	626,978

**Direct expenses of children**

Foods/supplies/other	16,145
Clothing - cleaning and repairing	47,891
Medical, dental	3,042
Personal	119,164
Group home expenses	377,502
Activities - recreation, camp	71,550
	<hr/>
Total direct expenses of children	635,294
	<hr/>
Total operating expenses	\$ 8,232,377

See report of independent certified public accountants.